

Message Text

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ACTION NEA-12

INFO OCT-01 ADP-00 NSC-10 NSCE-00 AID-20 IGA-02 L-03 SS-15

EB-11 STR-08 CEA-02 OMB-01 TRSE-00 COME-00 RSR-01

/086 W

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R 201141Z AUG 73

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 3525

INFO USDA WASHDC

C O N F I D E N T I A L TEHRAN 5888

DEPT PASS TO DR. KISSINGER

E.O. 11652: GDS

TAGS: EAGR, ETRD, IR

SUBJECT: COMMODITY SITUATION

REF: A. STATE 159320, B. STATE 163272

1. UPON MY RETURN TO TEHRAN I REVIEWED AS A MATTER OF URGENCY COMMODITY SITUATION INCLUDING WHAT HAS BEEN PASSED TO THE IRANIANS (AMBASSADOR ZAHEDI AND BANK OMRAN, REF A) ON OUTLOOK FOR COMMODITY SALES UNDER PL-480 AND CCC. IN LIGHT OF CONVERSATIONS I HELD IN WASHINGTON ON MY RECENT VISIT, I CONCLUDE PRESENT SITUATION AS REFLECTED IN REFTELS COULD HAVE ALMOST DISASTROUS EFFECTS ON IRANIAN FOOD SITUATION AND POLICY, AS WELL AS ON OUR RELATIONS WITH IRAN. OUTLOOK IS EXTREMELY BLEAK AND I BELIEVE WE SHOULD BE AS CANDID AS POSSIBLE WITH THE IRANIANS SO THAT THEY CAN BETTER ADJUST AND DEVISE ALTERNATIVE POLICIES.

2. IRAN IS HEAVILY DEPENDENT ON US SOURCES FOR GRAIN AND VEGETABLE OIL. IN RECENT YEARS IT HAS BOUGHT FROM US ABOUT 700,000 TONS ANNUALLY WHEAT (MOSTLY WESTERN WHITE) AND 70,000 TONS OF OIL. GOI IS ALREADY SUBSIDIZING BREAD
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INDUSTRY TO KEEP PRICE AT LEVEL ACCEPTABLE TO MASSES OF

PEOPLE FOR WHOM BREAD IS MAIN SOURCE OF NOURISHMENT. WITH SHARP RISE OF WHEAT PRICES THIS SUBSIDY WILL HAVE TO BE RAISED ACCORDINGLY, ASSUMING WHEAT IS AVAILABLE FOR IMPORT AT WORLD PRICE, IN ORDER PREVENT POPULAR UNREST.

3. WE ARE ALREADY HEARING STATEMENTS OF CONCERN AND UNHAPPINESS OVER COMMODITY OUTLOOK, SO FAR FROM THOSE DIRECTLY INVOLVED IN PROCUREMENT SUCH AS BANK OMRAN OFFICIALS. WE CAN CONFIDENTLY ANTICIPATE, HOWEVER, THAT LEVEL AT WHICH CONCERN IS EXPRESSED WILL QUICKLY RISE-- EVENTUALLY TO THE TOP.

4. FACTS OF WORLD COMMODITY SITUATION ARE SUCH THAT THERE IS OBVIOUSLY NO EASY WAY OUT. OUR INABILITY TO SUPPLY COMMODITIES AT PREVIOUS LOW PRICES (AND IN CASE OF SOME OUR INABILITY TO SUPPLY AT ALL) WILL DISPLEASE GOI, NO MATTER HOW WE PRESENT FACTS. TO KEEP THIS DISPLEASURE AT LOWEST POSSIBLE PITCH, I BELIEVE THAT I SHOULD BE IN POSITION FRANKLY TO LAY BEFORE GOI, POSSIBLY INCLUDING SHAH, FACTS IN THEIR COLDEST, MOST ACCURATE FORM. I WOULD LIKE TO DO THAT AT EARLIEST POSSIBLE TIME, GOING TO GOI BEFORE SOME HIGH OFFICIAL CALLS ME IN TO EXPRESS HIS CONCERN. BY DOING THAT I BELIEVE THAT WE MAY FORESTALL CHARGES OF BAD FAITH.

5. TO BE ABLE TO MAKE THIS APPROACH I NEED (A) IN EASILY USABLE FORM LATEST AND MOST ACCURATE AND COMPLETE FIGURES AVAILABLE ON OUTLOOK FOR COMMODITY SUPPLIES AND PRICES FOR THIS AND NEXT YEAR; (B) WELL REASONED EXPLANATION OF CAUSES OF CURRENT SHORTAGES, AND (C) RATIONALE FOR ANY EXCEPTIONS WE MAY BE MAKING OVERSEAS WHICH WILL QUICKLY COME TO ATTENTION OF GOI. I WOULD ALSO APPRECIATE BEING INFORMED ABOUT WHAT WE CAN TELL IRANIANS HOW COMMODITY SITUATION IS SHAPING UP NEXT YEAR AND WHAT IRAN MAY REASONABLY EXPECT.
HELMS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WHEAT, PL 480, FOOD SHORTAGE, VEGETABLE OILS, FOOD ASSISTANCE
Control Number: n/a
Copy: SINGLE
Draft Date: 20 AUG 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973TEHRAN05888
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS HELMS
Errors: N/A
Film Number: n/a
From: TEHRAN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730826/aaaaatdh.tel
Line Count: 97
Locator: TEXT ON-LINE
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: A. STATE 159320, B. STATE 163272
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 21 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21-Dec-2001 by shawdg>; APPROVED <09-Jan-2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COMMODITY SITUATION
TAGS: EAGR, ETRD, IR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005